

UNITED STATES PATENT AND TRADEMARK OFFICE
Trademark Trial and Appeal Board
P.O. Box 1451
Alexandria, VA 22313-1451
General Contact Number: 571-272-8500
General Email: TTABInfo@uspto.gov

AL/JLE

September 24, 2020

Cancellation No. 92074275

Sante Adairius LLC

v.

Robert Balentine and Daphne Cole-Balentine

By the Trademark Trial and Appeal Board:

Before the Board is Respondents' motion to dismiss Count 2 of petitioner's Petition for cancellation for failure to state a claim upon which relief can be granted. Fed. R. Civ. P. 12(b)(6). *See* 4 TTABVUE.¹

To withstand a motion to dismiss, a plaintiff need only allege sufficient factual content that, if proved, would allow the Board to conclude or draw a reasonable inference that (1) the plaintiff is entitled to bring a statutory cause of action and (2) a valid ground exists for opposing or cancelling the registration. *Doyle v. Al Johnson's Swedish Rest. & Butik Inc.*, 101 USPQ2d 1780, 1782 (TTAB 2012) (citing *Young v. AGB Corp.*, 152 F.3d 1377, 47 USPQ2d 1752, 1754 (Fed. Cir. 1998)); *Order*

¹ Record citations are to TTABVUE, the Board's publicly available docket history system. *See Turdin v. Trilobite, Ltd.*, 109 USPQ2d 1473, 1476 n.6 (TTAB 2014). The Board has considered the parties' submissions and presumes the parties' familiarity with the arguments made therein. The parties' arguments are not summarized herein except as necessary to explain the Board's decision. *Guess? IP Holder LP v. Knowlux LLC*, 116 USPQ2d 2018, 2019 (TTAB 2015).

of *Sons of Italy in Am. v. Profumi Fratelli Nostra AG*, 36 USPQ2d 1221, 1222 (TTAB 1995). See also TRADEMARK TRIAL AND APPEAL BOARD MANUAL OF PROCEDURE (TBMP) § 503.02 (June 2020)..

Specifically, a complaint must allege sufficient facts, accepted as true, which “state a claim to relief that is plausible on its face.” *Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009) (quoting *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 570 (2007)). A petitioner need only allege enough factual matter to “raise a right to relief above the speculative level.” *Totes-Isotoner Corp. v. United States*, 594 F.3d 1346, 1354 (Fed. Cir. 2010) (quoting *Bell Atl. Corp.*, 550 U.S. at 555-56)). Whether a petitioner will be able to prove its well-pleaded trademark claims is a matter for trial or summary judgment and is not relevant to the Board’s assessment of the legal sufficiency of a petition for cancellation. *Guess? IP Holder*, 116 USPQ2d at 2019.

I. Motion to Dismiss

By way of background, Respondents are the owners of Registration No. 5745779 for the mark 831 in standard characters for “beer” in International Class 32.² On May 21, 2020, Petitioner filed a petition to cancel the registration, asserting two claims: (1) priority and likelihood of confusion with Petitioner’s alleged common law rights in the mark 831 for beer;³ and (2) nonuse of the mark prior to Respondents’

² Filed August 7, 2015 under Section 1(b) of the Trademark Act, 15 U.S.C. § 1051(b), statement of use filed March 20, 2019, claiming first use and first use in commerce of March 1, 2019.

³ Petitioner also alleges it is the owner of application Serial No. 88585432 seeking registration on the Principle Register for the trademark 831 in International Class 32 for “beer,” which has been refused registration on the basis of a likelihood of confusion with the challenged registration. 1 TTABVUE 4, ¶¶ 3, 4. Petitioner states its application is an

claimed date of first use. 1 TTABVUE. In lieu of filing an answer, Respondents filed the present motion to dismiss Petitioner's nonuse claim, alleging that it fails as a matter of law. *See* 4 TTABVUE.⁴

A nonuse claim is based on allegations that the subject mark was not used in commerce in connection with the recited goods and/or services as of the filing date of a use-based application, or the filing date of an amendment to allege use in support of an intent-to-use application, or prior to the expiration of time for filing a statement of use in support of an intent-to-use application. *See, e.g., Embarcadero Techs., Inc. v. Delphix Corp.*, 117 USPQ2d 1518, 1524 (TTAB 2016) (the focus in a nonuse claim is whether the mark was in use as of the deadline to file a statement of use); *accord Clorox Co. v. Salazar*, 108 USPQ2d 1083, 1086-87 (TTAB 2013); *ShutEmDown Sports, Inc. v. Lacy*, 102 USPQ2d 1036, 1042 (TTAB 2012).

Although the petition to cancel has been considered in its entirety, Petitioner alleges the following in support of its nonuse claim:

11. On information and belief, Respondent is not using the mark 831 on the goods in International Class 032 in interstate commerce covered by the Registration in the United States.

12. On information and belief, and as set forth in detail below, Respondent's registration was fraudulently obtained, and Respondent

"intent-to-use application" and alleges prior use of the mark continually since at least as early as May 26, 2012. 1 TTABVUE 4, ¶¶ 3, 5. The Board notes, however, that Petitioner's application was filed August 20, 2019 based on use in commerce under Section 1(a) of the Trademark Act, 15 U.S.C. § 1051(a), claiming first use of May 26, 2016 and first use in commerce of January 20, 2019. *See* 1 TTABVUE 14.

⁴ Respondents do not challenge Petitioner's right to bring a statutory cause of action. Petitioner's allegation of its common law rights and pending application are sufficient to plead that Petitioner has a direct and personal stake in the outcome of the cancellation proceeding and is entitled to bring a statutory cause of action. *See American Vitamin Prods. Inc. v. Dow Brands Inc.*, 22 USPQ2d 1313, 1314 (TTAB 1992).

has not used the trademark in interstate commerce as of the date it claims.

13. Pursuant to the U.S. Department of Treasury, Tax and Trade Bureau, one must acquire a Certificate of Label Approval (“COLA”), to ship alcoholic beverages across state lines. Respondent, if a seller and distributor of beer, is required to acquire such certificate. If Respondent is licensing the mark to a seller or distributor of beer, the licensee is required to acquire such certificate. As of May 1, 2020, Respondent nor anyone other than Petitioner has acquired a COLA certificate for beer labeled 831 (Exhibit E). Therefore, as of March 1, 2019, Respondent, nor a licensee of Respondent, could not have been using the mark in interstate commerce, despite its claimed Section 1(a) basis for use at least as early as March 1, 2019. Rather, upon information and belief, Respondent had only sold beers within the state of California. The lack of a COLA evidences Respondents’ failure to use goods in interstate commerce.

14. On information and belief, Respondent knew or should have known that its statement under oath that it was using the mark 831 in interstate commerce was false and material to the application. Said false statement was made with the intent to induce agents of the USPTO to grant said registration, and reasonably relying upon the truth of said false statements, the USPTO did in fact grant the registration. Therefore, on information and belief, Respondent has committed fraud upon the USPTO and its registration is void ab initio.

1 TTABVUE 5-6, ¶¶ 11-14.

Respondents argue the nonuse claim fails as a matter of law because it is based solely on Petitioner’s contention that intrastate use is not “use” in commerce under the Trademark Act. Respondents maintain the Act does not require use in “interstate commerce”. 4 TTABVUE 4; *see also* 6 TTABVUE 3 (arguing in reply there is no “interstate commerce” requirement). Respondents also assert, to the extent the claim is construed as claiming fraud, it is legally insufficient because it is based only on allegations made “on information and belief” that Respondents “knew or should have known” they had no use in commerce. *Id.* at 4-6. In response, Petitioner asserts Respondents admit their goods are sold only in California which

is not use “in commerce,” and argue Petitioner’s claim is sufficiently pleaded. 5 TTABVue 4-5.

“Commerce” is defined in the Trademark Act as “all commerce which may lawfully be regulated by Congress.” 15 U.S.C. § 1127. “Commerce” includes intrastate activities that have a substantial effect on interstate commerce. *Christian Faith Fellowship Church v. Adidas AG*, 841 F.3d 986, 995, 120 USPQ2d 1640, 1647 (Fed. Cir. 2016) (“Because one need not direct goods across state lines for Congress to regulate the activity under the Commerce Clause, there is likewise no such per se condition for satisfying the Lanham Act’s ‘use in commerce’ requirement.”) (citations omitted).

Although Petitioner has included alleged sales of Respondents’ goods are limited to intrastate commerce within California, Petitioner has not alleged Respondents’ sales, in the aggregate, do not have a substantial effect on commerce that is regulable by Congress. *See Sun Hee Jung v. Magic Snow, LLC*, 124 USPQ2d 1041, 1045 (TTAB 2017) (opposer failed to allege the sale of applicant’s services from a single store did not have a substantial effect on interstate commerce) (citing *Christian Faith Fellowship Church*, 120 USPQ2d at 1646-47; *Larry Harmon Pictures Corp. v. Williams Rest. Corp.*, 929 F.2d 662, 18 USPQ2d 1292, 1295 (Fed. Cir. 1991)). Accordingly, Petitioner has not adequately pleaded nonuse in commerce.⁵

⁵ The Board notes that Petitioner’s claim also alleges nonuse as of the claimed date of first use, not as of the expiration of time for filing a statement of use – **July 12, 2019**. *See Embarcadero Techs.*, 117 USPQ2d at 1524.

To the extent the claim can be construed as alleging fraud based on nonuse, Petitioner must plead that Respondents knowingly made a false, material misrepresentation of fact in connection with their application with the intent to deceive the USPTO in order to obtain a registration to which they otherwise are not entitled. *In re Bose Corp.*, 580 F.3d 1240, 1245, 91 USPQ2d 1938, 1941 (Fed. Cir. 2009); *Torres v. Cantine Torresella S.r.l.*, 808 F.2d 46, 1 USPQ2d 1483, 1484 (Fed. Cir. 1986). Fraud based on nonuse of a mark occurs when a party knowingly, and with intent to deceive the USPTO, represents that it is using the mark in connection with goods or services when in fact it is not. *See, e.g., Harry Winston, Inc. v. Bruce Winston Gem Corp.*, 111 USPQ2d 1419, 1432 (TTAB 2014); *ShutEmDown Sports*, 102 USPQ2d at 1044.

All claims of fraud on the USPTO must be pleaded with heightened particularity pursuant to Fed. R. Civ. P. 9(b). A pleading simply alleging the substantive elements of fraud, without setting forth the particularized factual bases for the allegation, does not satisfy Rule 9(b). *See Petroleos Mexicanos v. Intermix S.A.*, 97 USPQ2d 1403 (TTAB 2010) (citing *Asian and W. Classics B.V. v. Selkow*, 92 USPQ2d 1478, 1478 (TTAB 2009) (elements of fraud must be pleaded with particularity)). A pleading of fraud on the USPTO also must include an allegation of intent. *In re Bose*, 91 USPQ2d at 1939-1940. Although intent may be averred generally under Fed. R. Civ. P. 9(b), the pleadings must allege sufficient underlying facts from which the Board may reasonably infer that a party acted with the requisite state of mind. *Asian and W. Classics*, 92 USPQ2d at 1479.

Therefore, pleadings of fraud made “on information and belief” without allegation of “specific facts upon which the belief is reasonably based” are insufficient. *Id.* Further, “[p]leadings of fraud which rest solely on allegations that the trademark applicant or registrant made material representations of fact in connection with its application or registration which it ‘knew or should have known’ to be false or misleading are an insufficient pleading of fraud because it implies mere negligence and negligence is not sufficient to infer fraud or dishonesty.” *Id.*

Petitioner pleads only, on “information and belief,” that Respondents’ failure to procure a Certificate of Label Approval shows Respondents used their mark only in California, and therefore Respondents “knew or should have known” that their allegation of use in commerce was false. In addition to the deficiencies in the nonuse claim discussed above, therefore, Petitioner’s claim does not plead supporting facts from which the Board may reasonably infer that Respondents knew their representations were false and they intended to deceive the USPTO. *See, e.g., Dragon Bleu (SARL) v. VENM, LLC*, 112 USPQ2d 1925, 1928 (TTAB 2014) (citations omitted).

In view of the foregoing, Count II fails to state a claim upon which relief can be granted. Respondents’ motion to dismiss the claim (paragraphs 11-14 of the petition to cancel), therefore, is **granted**.

It is the Board’s policy to allow amendment of defective pleadings, particularly where the offending pleading is the initial pleading. *See, e.g., Intellimedia Sports Inc. v. Intellimedia Corp.*, 43 USPQ2d 1203, 1208 (TTAB 1997). Accordingly, the

Board allows Petitioner leave to file an amended petition to cancel which addresses the deficiencies noted herein, to the extent such claims may be properly asserted based on the facts of the case.⁶

Petitioner is allowed until **October 16, 2020** to file its amended petition to cancel, failing which the proceeding will go forward only as to Petitioner's claim of priority and likelihood of confusion. Respondents are allowed until **November 16, 2020** to file their answer to the amended petition to cancel, if any.

II. Proceedings Resumed

Proceedings herein are resumed. Disclosure, discovery and trial dates are reset as follows:

Time to Answer	11/16/2020
Deadline for Discovery Conference	12/16/2020
Discovery Opens	12/16/2020
Initial Disclosures Due	1/15/2021
Expert Disclosures Due	5/15/2021
Discovery Closes	6/14/2021
Plaintiff's Pretrial Disclosures Due	7/29/2021
Plaintiff's 30-day Trial Period Ends	9/12/2021
Defendant's Pretrial Disclosures Due	9/27/2021
Defendant's 30-day Trial Period Ends	11/11/2021
Plaintiff's Rebuttal Disclosures Due	11/26/2021
Plaintiff's 15-day Rebuttal Period Ends	12/26/2021
Plaintiff's Opening Brief Due	2/24/2022
Defendant's Brief Due	3/26/2022
Plaintiff's Reply Brief Due	4/10/2022
Request for Oral Hearing (optional) Due	4/20/2022

⁶ Petitioner should note that a fraud claim is difficult to prove because the standard of knowledge is highly subjective. *See, e.g., Maids to Order of Ohio, Inc. v. Maid-to-Order, Inc.*, 78 USPQ2d 1899, 1907 (TTAB 2006) (no fraud where applicant had a good faith, reasonable basis for believing that it was using the mark in interstate commerce).

Generally, the Federal Rules of Evidence apply to Board trials. Trial testimony is taken and introduced out of the presence of the Board during the assigned testimony periods. The parties may stipulate to a wide variety of matters, and many requirements relevant to the trial phase of Board proceedings are set forth in Trademark Rules 2.121 through 2.125. These include pretrial disclosures, matters in evidence, the manner and timing of taking testimony, and the procedures for submitting and serving testimony and other evidence, including affidavits, declarations, deposition transcripts and stipulated evidence. Trial briefs shall be submitted in accordance with Trademark Rules 2.128(a) and (b). Oral argument at final hearing will be scheduled only upon the timely submission of a separate notice as allowed by Trademark Rule 2.129(a).

* * *